

Minutes

Joint Legislative Program Evaluation Oversight Committee Meeting December 14, 2015

Members Present

Senator Fletcher Hartsell, Chair
Senator Don Davis
Senator Valeria Foushee
Senator Ralph Hise
Senator Tom McInnis
Senator Louis Pate
Senator Shirley Randleman
Senator Joyce Waddell
Senator Joyce Krawiec

Representative Jean Farmer-Butterfield
Representative Becky Carney
Representative Ted Davis
Representative Nelson Dollar
Representative Pat Hurley
Representative Marvin Lucas
Representative Jason Saine
Representative Rena Turner

Call to Order

Senator Fletcher Hartsell, Chair, called the meeting to order. He announced new appointees to the Joint Legislative Program Evaluation Oversight Committee—Senator Joyce Waddell, Senator Tom McInnis and Senator Joyce Krawiec as Advisory Member. Senator Rick Gunn will become an Advisory Member.

Senator Shirley Randleman moved to approve the November 23, 2015 minutes. Motion carried.

Presentations and Comments

Senator Hartsell recognized Senator David Curtis who requested the committee to amend the 2015-2017 PED Work Plan to require PED to assess a UNC/State Board of Community Colleges (SBCC) study of the NC Guaranteed Admission Program (NCGAP). UNC/SBCC must submit study findings by March 1, 2016 to the Joint Legislative Education Oversight Committee. Senator Curtis requests that PED assess the accuracy and methodology of the joint study and report any findings to JLPEOC by April 1, 2016. Senator Curtis is concerned that the UNC/SBCC study may be negative toward NCGAP because it will reduce enrollment and may reduce costs. He also said that UNC/SBCC has retained the Research Triangle Institute (RTI) to work on the study and because UNC/SBCC retained RTI, RTI may not be independent. He said that he wanted PED's opinion because PED is independent and reports to the General Assembly.

At the request of Representative Horn, Co-Chair, who was unable to attend, Senator Hartsell announced that action will be deferred until the January 2016 meeting.

Senator Hartsell recognized Sara Nienow, Senior Program Evaluator to present the PED report ***North Carolina Should Discontinue the Economic Development Tiers System and Reexamine Strategies to Assist Communities with Chronic Economic Distress.***

Committee members had several questions about the feasibility of identifying distressed areas at the census tract, county and regional levels that the commission recommended by PED would address.

Representative Dollar requested PED to provide data on whether the Appalachian Regional Commission (ARC) had changed the economic status of areas comprising the ARC regions. PED recommended that the General Assembly consider some of the approaches that ARC addresses.

Mr. Jeffrey DeBellis, Manager of Economic and Policy Analysis, Labor and Economics from the Department of Commerce responded to the PED report. He said that the department shared some of the PED concerns, but proposed instead of the approach recommended by PED, that the General Assembly should consider recommendations from the department's February 2015 report, *Responding to Economic Distress in North Carolina* for better metrics for an economic index. The department has focused on potential drivers of economic distress, which DeBellis itemized and for assuring that any index is understandable to the public and consistent with the state's economic development goals. The department had concerns about the reliability of U.S. Census sub-county data for identifying distressed areas such as those within or proximate to more prosperous counties. The department is responding and could have improvements in place by fiscal year 2016-2017.

Representative Dollar commented that greater consideration of common sense physical observation for recognizing areas needing development that are obvious to anyone familiar with North Carolina instead of depending exclusively on or awaiting perfection of census data and statistical estimates to identify such areas.

In response to Representative Turner's question, DeBellis clarified how the department would approach sub-county and regional variations and ways several counties could approach sharing of revenues and benefits from more prosperous areas.

In response to Representative Farmer-Butterfield about the response letter from Secretary of Commerce, John Skvarla disagreeing with the PED recommendation for a study commission, DeBellis said that the department has a team of policy analysts and economists that are already working on the issue and could work with stakeholders and make recommendations directly with the General Assembly in a more timely and efficient manner than the proposed commission. Representative Butterfield asked if the department had any other concerns or issues. Mr. DeBellis suggested that in order to meet the expedited time frame, the department would need two new employees to study the issue internally.

Representative Turner moved to direct staff to draft legislation to implement the recommendations from the report for consideration by the committee at the January or February meeting. Motion passed.

Update on actuarial data on Retiree Health Insurance Liability

Senator Hartsell recognized Kiernan McGorty, Principal Program Evaluator, to present draft legislation to implement recommendations from the July 2015 PED report on Retiree Health Insurance. She explained that the draft incorporated the needed revision to address concerns reported to PED by retirees that there should be an appeals process for those who wished to continue State Health Plan coverage instead of being required to participate in the Medicare Advantage plan as PED proposed in its report.

Ms. Mona Moon, Deputy State Treasurer and Executive Administrator of the State Health Plan (SHP) noted that the SHP and Treasury were pleased at the attention shown by the General

Assembly in actively addressing the unfunded liability of retiree health benefits. She described how SHP has been addressing the issue particularly in light of the Governmental Accounting Standards Board Standards requiring disclosure of the amount of liability on the state financial statements instead of merely acknowledging the liability in a footnote. She suggested that the SHP Board would offer suggestions for any potential changes in law. Ms. Moon recommended that the SHP Board would prefer that the state not legislate automatic enrollment of Medicare eligible retirees into the Medicare Advantage Plan. Eligible retirees within 60 days of reaching age 65 have a 60 day window of flexibility to choose among the three variations of Medicare Advantage Plans offered by SHP or to opt into the regular 70/30 SHP.

In response to Representative Dollar's question, Kiernan McGorty from PED explained how the draft legislation would propose to allow flexibility for retirees who may have been adversely impacted by cost or prevented from enrolling in an Advantage Plan. Ms. Moon elaborated on these circumstances and how the legislation might address them.

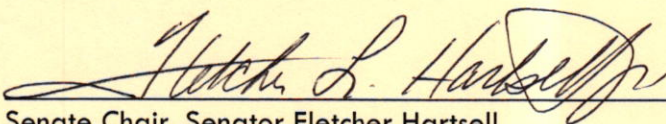
Senator Hise commented that the legislation should not allow a retiree flexibility that would shift cost obligation to the state and in so doing defeat the initiative intended to reduce the liability.

Senator Hartsell suggested that Section 1 be stricken and have the new committee created by Section 2 examine the Medicare Advantage issue along with the other options presented by PED's report.

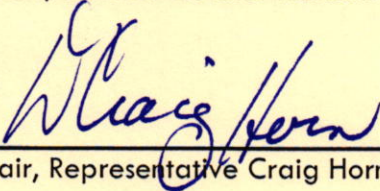
Senator Hise moved to instruct staff to draft revised legislation for review by JLPEOC in January or February.

Adjournment

With no further business, the committee adjourned.



Senate Chair, Senator Fletcher Hartsell



House Chair, Representative Craig Horn